



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
LARUE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LARUE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the LaRue County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

- We would like to commend the LaRue County Fiscal Court officials for their excellent accounting practices, professional attitude, and cooperation.

Financial Condition:

The accompanying Statement Of Assets, Liabilities, and Fund Balances Arising From Cash Transactions reflects a reserved fund balance of \$1,237,833 and an unreserved fund balance of \$1,022,922. Principal to be provided in futures years to retire bond issues and capital lease purchase agreements total \$3,195,336. Interest to be provided in future years to retire bond issues and capital lease purchase agreements total \$1,305,953. The accompanying statement of cash receipts, cash disbursements, and changes in cash balances reflect a cash balance of \$2,260,755 as of June 30, 2000.

Notes to the Financial Statement:

During fiscal year ending June 30, 2000, the LaRue County Jail Canteen Fund received \$105,759 and expended \$103,950 and had an ending balance of \$6,042.

LaRue County received a grant from the Kentucky State Treasurer a grant in the amount of \$1,000,000 to allow expansion of public water service by funding 312 feet of water main and the addition of a 100-gallon elevated water storage tank. The expansion would reach approximately 550 new customers in LaRue and a portion of Nelson County representing a 30 percent increase in residential service, most of who are currently utilizing contaminated ground water sources. Total expenditures for fiscal year ending June 30, 2000 was \$54,634. The unexpended balance of the grant as of June 30, 2000 was \$945,366.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Tommy Turner, LaRue County Judge/Executive

Members of the LaRue County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of LaRue County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the LaRue County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

LaRue County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of LaRue County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of LaRue County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

- We would like to commend the LaRue County Fiscal Court officials for their excellent accounting practices, professional attitude, and cooperation.

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2001 on our consideration of LaRue County, Kentucky's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 12, 2001

LARUE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Tommy Turner	County Judge/Executive
Peggy Hawkins	Magistrate
Edward S. Lee	Magistrate
Gordon Conner	Magistrate
Pat Eastridge	Magistrate

Other Elected Officials:

Danny Rock	County Attorney
Ralph Trumbo	Jailer
Linda Carter	County Clerk
Ruth Ann Brown	Circuit Court Clerk
Merle L. Edlin	Sheriff
James Q. Shaw	Property Valuation Administrator
George Bertram	Coroner

Appointed Personnel:

Janet L. Propes	County Treasurer
Brenda Miller	Finance Officer
Janet Propes	Personnel Officer
Tommy Rosel	Road Supervisor
Clara Druen	911 Administrator
Linda Flenner	Jail Administrative Assistant

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

LARUE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash \$ 1,948,070

Road and Bridge Fund:

Cash 1,040

Jail Fund:

Cash 19,178

Payroll Revolving Account 52,075 \$ 2,020,363

Capital Project Fund Type

Courthouse Improvements Fund

Cash 292,362

Debt Service Fund Type

Courthouse Improvements Fund

Cash 105

Total Assets \$ 2,312,830

Other Resources

General Fund Type:

Amounts to be Provided in Future Years for Road

Garage Property Lease-Purchase Oblations-

Principal (Note 4) \$ 331,336

Amounts to be Provided in Future Years for Road

Paving Project Lease-Purchase Obligations-

Principal (Note 4) 251,000

Amounts to be Provided in Future Years for Road

Grader Lease-Purchase Obligations-

Principal (Note 4) 90,000

Amounts to be Provided in Future Years for Jail Annex

Capital Lease Obligations-

Principal (Note 4) 118,000

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Other Resources (Continued)

General Fund Type (Continued)

Amounts to be Provided in Futures Years for First

Mortgage Refund Revenue Bonds

Principal (Note 5) \$ 555,000

Debt Service Fund Type

Amounts to be Provided in Futures Years for General

Obligation Improvement Bonds

Principal (Note 5) 1,850,000 \$ 3,195,336

Total Assets and Other Resources \$ 5,508,166

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Road Garage Property Lease-Purchase Principal (Note 4)	\$	331,336	
Road Paving Project Lease-Purchase Principal (Note 4)		251,000	
Road Grade Lease-Purchase Principal (Note 4)		90,000	
Jail Annex Lease-Purchase (Note 4)		118,000	
Bond Principal Not Matured - 1998 Series (Note 5)		555,000	
Payroll Revolving Account		<u>52,075</u>	\$ 1,397,411

Debt Service Fund Type

Bond Principal Not Matured - 1999 Series (Note 5)	<u>1,850,000</u>	3,247,411
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LARUE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities (Continued)

Fund Balances

Reserved:

General Fund Type

Larue and Nelson County Water Project (Note 7)	\$	945,366
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Capital Project Fund Type

Courthouse Improvements Fund		292,362
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Debt Service Fund Type

Courthouse Improvements Fund		<u>105</u>	\$	1,237,833
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Unreserved:

General Fund Type

General Fund	\$	1,002,704	
Road and Bridge Fund		1,040	
Jail Fund		<u>19,178</u>	<u>1,022,922</u>

Total Liabilities and Fund Balances			\$	<u><u>5,508,166</u></u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

LARUE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	Totals (Memorandum Only)	General Fund Type		
		General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,327,406	\$ 2,675,239	\$ 1,070,518	\$ 525,729
Transfers In	517,912	40,000	62,000	315,000
Borrowed Money	150,000	150,000		
Kentucky Advance Revenue Program	2,483,970	2,156,895	327,075	
Total Cash Receipts	<u>\$ 7,479,288</u>	<u>\$ 5,022,134</u>	<u>\$ 1,459,593</u>	<u>\$ 840,729</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,344,937	\$ 1,554,358	\$ 1,064,554	\$ 726,025
Courthouse Improvements Fund- Construction Expenditures	1,356,845			
Transfers Out	517,912	377,000	40,000	100,912
Bonds:				
Principal Paid	100,000			40,000
Interest Paid	88,313			
Principal on Capital Lease:				
Road Garage	20,237	20,237		
Road Paving	25,000		25,000	
Jail Annex	7,000			7,000
Grader	20,000		20,000	
Borrowed Money Repaid	150,000	150,000		
Kentucky Advance Revenue Program Repaid	2,483,970	2,156,895	327,075	
Total Cash Disbursements	<u>\$ 8,114,214</u>	<u>\$ 4,258,490</u>	<u>\$ 1,476,629</u>	<u>\$ 873,937</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (634,926)	\$ 763,644	\$ (17,036)	\$ (33,208)
Cash Balance - July 1, 1999	2,895,681	1,184,426	18,076	52,386
Cash Balance - June 30, 2000	<u>\$ 2,260,755</u>	<u>\$ 1,948,070</u>	<u>\$ 1,040</u>	<u>\$ 19,178</u>

The accompanying notes are an integral part of the financial statements.

LARUE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
(Continued)

Capital Project Fund Type	Debt Service Fund Type
Courthouse Improvements Fund	Courthouse Improvements Fund
\$ 55,455	\$ 465 100,912
<u>\$ 55,455</u>	<u>\$ 101,377</u>
\$	\$
1,356,845	
	60,000 88,313
<u>\$ 1,356,845</u>	<u>\$ 148,313</u>
\$ (1,301,390)	\$ (46,936)
<u>1,593,752</u>	<u>47,041</u>
<u>\$ 292,362</u>	<u>\$ 105</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of LaRue County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the LaRue County Building Commission Corporation Fund.

Additional – LaRue County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting LaRue County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are subjected by oversight of state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. A list of LaRue County Fiscal Court's Fund Types, a definition of each and a list of county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The LaRue County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, and Jail Fund.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Capital Projects Fund Type

Capital Project Funds Type accounts for financial resources to be used for construction acquisition of major capital project facilities. The LaRue County Courthouse Improvement Fund is a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided for in future years.

D. Legal Compliance - Budget

The LaRue County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Capital Project Fund Type and Debt Service fund Type. These Funds are included in the Courthouse Improvements Fund.

Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

LARUE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of LaRue County Fiscal Court:

LaRue County Extension
 LaRue County Public Health

LaRue County Library

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

LARUE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2000.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	<u>\$ 3,128,841</u>

Note 4. Lease-Purchase Agreements

A. Capital Leases

1. Road Garage Property

On September 12, 1997, the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the purchase of property for the road garage. The principal was \$385,000 at 4.25 percent for a period of 15 years, interest and principal paid monthly. Principal outstanding as of June 30, 2000 is \$331,336.

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	11,969	21,108
2002	11,168	22,016
2003	10,333	22,963
2004	9,462	23,951
2005-2012	<u>39,532</u>	<u>241,298</u>
Totals	<u>\$ 82,464</u>	<u>\$ 331,336</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Lease-Purchase Agreements (Continued)

2. Road Paving Project

On May 8, 1998 the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was paving of roads. The principal was \$300,000 at 4.5 percent for a period of 10 years interest paid monthly and principal paid annually. Principal outstanding as of June 30, 2000 is \$251,000. Lease payments excluding an anticipated interest rebate from KACoLT are:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 13,275	\$ 26,000
2002	11,791	28,000
2003	10,221	29,000
2004	8,595	30,000
2005-2011	<u>16,444</u>	<u>138,000</u>
Totals	<u>\$ 60,326</u>	<u>\$ 251,000</u>

3. Jail Annex

On June 22, 1992, the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the construction of a 30-bed jail annex. The principal was \$164,000 at 5.409 percent for a period of 20 years, interest paid monthly and principal paid annually. Principal outstanding as of June 30, 2000 is \$118,000. Lease payments excluding an anticipated interest rebate from KACoLT is:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 7,381	\$ 7,000
2002	6,905	8,000
2003	6,392	8,000
2004	5,852	9,000
2005-2011	<u>24,126</u>	<u>86,000</u>
Totals	<u>\$ 50,656</u>	<u>\$ 118,000</u>

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Lease-Purchase Agreements (Continued)

4. Grader

On October 8, 1998, the LaRue County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the purchase of a grader. The principal was \$110,000 at 3.8 percent for a period of six years, interest paid monthly and principal paid annually. Lease payments excluding an anticipated interest rebate from KACoLT is:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 3,922	\$ 21,000
2002	2,888	22,000
2003	1,806	23,000
2004	676	24,000
Totals	<u>\$ 9,292</u>	<u>\$ 90,000</u>

B. Operating Leases

The county has entered into the following operating lease-purchase agreements:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Balance 6/30/2000</u>
General Fund:				
KACO Leasing Trust				
Sheriff's Vehicles	11/1/1999	11/1/2004	3.75%	\$ 38,529
Road and Bridge Fund:				
KACO Leasing Trust				
Dump Truck	4/1/1996	2/1/2001	4.4774%	\$ 11,000
Road Equipment	9/1/1997	10/1/2002	4.250%	\$ 32,956
Trucks	7/1/1999	6/1/2004	3.75%	\$ 60,287
Jail Fund:				
KACO Leasing Trust				
E-911 Equipment	6/1/1996	2/1/2001	5.12%	\$ 63,000

The total principal balance due for lease-purchase agreements is \$205,772.

LARUE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Long-Term Debt

A. First Mortgage Revenue Bonds, Series of 1991

The LaRue County Building Commission Corporation Fund issued \$705,000 of First Mortgage Revenue Bonds, Series of 1991, dated January 1, 1991, at various rates for the purpose of constructing a courthouse facility. These bonds are not matured, but are to be discharged in future years by the proceeds of the First Mortgage Refunding Revenue Bonds, Series of 1998. Therefor, these bonds have not been reported on the statement of assets, liabilities, and fund balance arising from cash transactions, or on the statement of cash receipts, cash disbursements, and changes in cash balances included in this audit report. Bonds outstanding as of June 30, 2000, is \$495,000. Debt service requirements due in fiscal year 2001 are:

<u>Fiscal Year</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 36,030	\$ 495,000

B. First Mortgage Refund Revenue Bonds, Series of 1998

The LaRue County Building Commission Corporation Fund issued \$630,000 of First Mortgage Refunding Revenues Bonds, Series of 1998, dated October 1, 1998, at 4.10% interest rate for the purpose of discharging the outstanding first mortgage Revenue Bonds, Series of 1991 (referred to herein as the "Prior Bonds").

The Corporation issued \$630,000 of refunding revenue bonds, the proceeds of which were deposited into an Escrow Fund, that amount when added with interest earnings thereon and any cash or investments held by the trustee for the prior year bonds, is planned to be adequate to discharge all outstanding prior bonds. The Escrow Fund is intended to provide the following:

1. Meet the scheduled principal and interest payments of the 1991 prior bonds beginning January 1, 1999 and through January 1, 2001 (dates inclusive);
2. To call on January 1, 2001, all the principal amounts then outstanding of the 1991 prior bonds at 103%

Debt service requirements are:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 22,755	\$ 40,000
2002	21,115	45,000
2003	19,270	45,000
2004	17,425	50,000
2005-2011	64,370	375,000
Totals	\$ 144,935	\$ 555,000

LARUE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 5. Long-Term Debt (Continued)

B. General Obligation Improvement Bonds, Series of 1999

The LaRue County Fiscal Court issued \$1,910,000 of General Obligation Improvement Bonds, Series of 1999, dated January 1, 1999, at various interest rates for the purpose of construction courthouse facilities. Debt service requirements are:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	\$ 79,420	\$ 65,000
2002	77,080	70,000
2003	74,490	70,000
2004	71,690	75,000
2005-2019	<u>619,570</u>	<u>1,570,000</u>
Totals	<u>\$ 922,250</u>	<u>\$ 1,850,000</u>

Note 6. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable jail canteen operations.

During fiscal year ending June 30, 2000, the LaRue County Jail Canteen Fund received \$105,759 and expended \$103,950 and had an ending balance of \$6,042.

Note 7. State Grant

LaRue County received a from the Kentucky State Treasurer a grant in the amount of \$1,000,000 to allow the expansion of public water service by funding 312 feet of water main and the addition of a 100-gallon elevated water storage tank. The expansion would reach approximately 550 new customers in LaRue and a portion of Nelson County representing a 30 percent increase in residential service, most of who are currently utilizing contaminated ground water sources. Total expenditures for fiscal year ending June 30, 2000 was \$54,634. The unexpended balance of the grant as of June 30, 2000 was \$945,366.

Note 8. Delinquent Tax Escrow Account

LaRue County has a delinquent tax escrow account in the amount of \$236. According to KRS 393.110, the County should report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

LARUE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 4,056,750	\$ 2,675,239	\$ (1,381,511)
Road and Bridge Fund	1,198,241	1,070,518	(127,723)
Jail Fund	546,373	525,729	(20,644)
Totals	<u>\$ 5,801,364</u>	<u>\$ 4,271,486</u>	<u>\$ (1,529,878)</u>

Reconciliation

Total Budgeted Operating Revenue Above		\$ 5,801,364
Add: Budgeted Prior Year Surplus	\$ 329,152	
Budgeted Borrowed Money	<u>2,733,328</u>	3,062,480
Less: Budgeted Kentucky Advance Revenue Program	\$ 2,483,970	
Budgeted Borrowed Money	190,000	
Budgeted Transfers to Courthouse Improvements Fund	100,912	
Budgeted Capital Lease Obligations-Principal	<u>72,237</u>	<u>(2,847,119)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures		<u>\$ 6,016,725</u>

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SCHEDULE OF OPERATING REVENUE

LARUE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

		<u>Governmental Fund Type</u>		
	Totals (Memorandum Only)	General Fund Type	Capital Projects Fund Type	Debt Service Fund Type
REVENUE:				
Taxes	\$ 708,988	\$ 708,988	\$	\$
Excess Fees	97,012	97,012		
License and Permits	22,472	22,472		
Intergovernmental Revenues	2,854,005	2,854,005		
Charges for Services	257,140	257,140		
Miscellaneous Revenues	202,330	202,330		
Interest Earned	185,459	129,539	55,455	465
Total Operating Revenue	<u>\$ 4,327,406</u>	<u>\$ 4,271,486</u>	<u>\$ 55,455</u>	<u>\$ 465</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

LARUE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	General Fund Type		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 539,918	\$ 431,934	\$ 107,984
Protection to Persons and Property	1,125,238	1,003,446	121,792
General Health and Sanitation	1,281,675	282,629	999,046
Social Services	5,600	3,668	1,932
Recreation and Culture	425,000	124,350	300,650
Roads	953,744	969,649	(15,905)
Debt Service	89,068	85,110	3,958
Capital Projects	1,000,000		1,000,000
Administration	596,482	444,151	152,331
Total Operating Budget - All General Fund Types	\$ 6,016,725	\$ 3,344,937	\$ 2,671,788
Other Financing Uses:			
General Obligations Bonds-			
Principal	40,000	40,000	
Transfers to Courthouse			
Improvements Fund			
Principal	60,000	60,000	
Interest	40,912	40,912	
Borrowed Money Repaid	150,000	150,000	
Capital Lease Obligations			
Principal	72,237	72,237	
Kentucky Advance Revenue Program			
Principal	2,483,970	2,483,970	
TOTAL BUDGET - ALL GENERAL FUND TYPES	\$ 8,863,844	\$ 3,708,086	\$ 2,671,788

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of LaRue County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated January 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether LaRue County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LaRue County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Tommy Turner, LaRue County Judge/Executive
Members of the LaRue County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 12, 2001

